

VI. DIVIDENDS, INTEREST, AND RENT

The state estimates of personal dividend income, personal interest income, and rental income of persons are presented together. These three components accounted for just over 16 percent of total personal income at the national level in 2003 (see table E).

The estimates consist of the income that is received by persons and by private and government employee retirement funds on behalf of persons.¹

The national estimates of dividends, interest, and monetary rent are based on data that are not available for states. The state allocations of the national estimates of the income received by individuals are based mainly on individual income tax data. Some of the data used to prepare the national estimates of the imputed rent of the owner-occupants of nonfarm dwellings are also used to prepare the state estimates.

Personal Dividend Income

Personal dividend income is payments in cash or other assets, excluding the corporations' own stock, that corporations in the United States or abroad make to noncorporate stockholders who are U.S. residents. Personal dividend income accounted for almost 4.3 percent of total personal income at the national level in 2003 (table E). The state estimates of personal dividend income are prepared in four parts: Dividends received by individuals, dividends received by private and government employee retirement funds, dividends received by nonprofit institutions, and dividends received, retained, and reinvested by fiduciaries.

Dividend income received by individuals.—Dividend income received by individuals is the sum of two components: dividends received from S-corporations and all other dividends. State estimates of the dividends received by individuals from Subchapter S corporations, based on sample data for "S-Corporation net income less loss" from the Internal Revenue Service's (IRS) *Statistics of Income* are used to allocate the corresponding national estimate to states.

State estimates of the dividends received from other corporations based on tabulations of the dividends reported by individuals on IRS form 1040 and included in the IRS Individual Master File (IMF) are used to allocate the national estimate of all other dividends received by individuals.²

Dividend income received by private and government employee retirement funds.—This income comprises the dividends received by private pension plans, by the Federal civilian employees' Thrift Savings Plan (TSP), and by state and local government employee retirement plans. For each of these categories a portion of the dividends is

¹ Persons includes individuals and quasi-individuals (nonprofit institutions and private trust funds administered by fiduciaries). See "Persons" and "Fiduciary" in the "Glossary."

² The annual IMF tabulations become available about 18 months after the end of the year; therefore, the state estimates that are based on the IMF data for a year are first derived from the extrapolation of the data for the previous year. The extrapolation uses past trends in the IMF dividends series, as determined from regression analysis that relates the IMF dividends data for each state to the national estimates of dividends and to time for an 8-year period.

assumed to be received on behalf of current employees, and a portion on behalf of retired persons and their survivors.³

The currently-employed portion of the dividends received by private pension funds is allocated to states using state-of-residence estimates of wage and salary disbursements.⁴ The state estimates of the retired portion reflect the geographic distribution of the state estimates of Old-age, survivors, and disability insurance (OASDI) payments.

For the dividends received by the TSP, the state estimates of the currently employed portion are based on residence-adjusted state estimates of Federal civilian wages and salaries. State estimates of the retired portion are based on state estimates of Federal civilian retirement benefits by state.⁵

For the dividends received by state and local government employee retirement funds, the state estimates of both the currently employed and the retired portions are based on state-level data for the dividends received by the funds from the Census Bureau's annual *Finances of Employee-retirement Systems of State and Local Governments*. These data are available beginning with 1994. The currently employed portion is extrapolated to earlier years by the relative change in state and local government wages and salaries. The retired portion is extrapolated by the relative change in benefits paid by the plans.⁶ Both portions are then adjusted to a place-of-residence basis to yield the allocating series for the dividends received by the funds.

³ For the private pension plans, the division of the dividends into the currently-employed and the retired portions is based largely on participation rates in the social security retirement system. The division corresponds roughly to the relative numbers of the participants—those making the contributions and those receiving the benefits.

For the Federal civilian and the state and local government retirement plans, the division between the currently employed and retired portions is roughly in accord with participation rates in those systems, based on data provided by the Office of Management and Budget (for the federal plan) and on information from the Census Bureau's annual *Finances of Employee-retirement Systems of State and Local Governments* (for the state and local government plans).

⁴ Prior to the conversion from SIC to NAICS, the state estimates of the currently-employed portion of dividend income received by private pension funds were prepared using residence-adjusted employer contributions to these funds as the geographical allocator.

The state-of-residence estimates of employer contributions to private pension plans were based on year 2000 benchmark estimates: The 2000 national estimate of the contributions for each Standard Industrial Classification two-digit industry was allocated to states in proportion to the earnings of wage and salary workers employed in that industry as reported in the 2000 Census of Population. The 2000 estimate for each industry was then extrapolated back to the 1990 benchmark and forward to 2001 by the relative change in the BEA estimates of wages and salaries for the industry. The estimates by industry were then summed to the all-industry level.

⁵ Federal civilian employee retirement and disability payments are benefits (including lump-sum withdrawals) received by retired Federal Government employees and their survivors from the following retirement plans: The Civil Service Retirement System; the Basic Benefit Plan of the Federal Employees Retirement System; and special contributory and noncontributory retirement plans, such as those of the Foreign Service, the Federal Reserve Board, and the Tennessee Valley Authority. The national estimate of these payments is allocated to states in proportion to data for the payments for September of each year from the Office of Personnel Management.

⁶ These benefits were formerly published as a transfer payment (state and local government employee retirement payments) in the State Personal Income Account. See *State Personal Income 1929-97*.

Dividend income received by nonprofit institutions.—Because state data are unavailable, the national estimate is allocated to the states in proportion to the annual state estimates of the civilian population that are prepared by the Census Bureau.

Dividend income retained by fiduciaries.—The available data for these dividends do not reflect the location of the individuals on whose behalf the dividends are received. Therefore, the national estimate of the dividends retained by fiduciaries is allocated to states in proportion to IMF dividends, which includes the dividends *distributed* by fiduciaries to individuals.

Personal Interest Income

Personal interest income is the interest income (monetary and imputed) from all sources that is received by individuals, by private and government employee retirement plans, by nonprofit institutions, and by estates and trusts. Personal interest income accounted for just over 10 percent of total personal income at the national level in 2003 (table E). Monetary interest accounted for over 6 percent of total personal income, and imputed interest accounted for over 4 percent.

Monetary interest income

The state estimates of monetary interest income are prepared in the following parts: The net interest accrued on unredeemed series E, EE, H, and HH bonds that are issued by the Federal Government and that are owned by individuals, the other interest received by individuals, the interest received by private and government employee retirement plans, the interest received by nonprofit institutions, and the interest retained by fiduciaries.

Net accrued interest income from Federal Government savings bonds.—The state estimates of the net accrued interest on unredeemed series E, EE, H, and HH bonds are prepared in two steps.⁷ First, the national estimate of the total interest accrued on savings bonds during a year is allocated to the states in proportion to the value of the unredeemed bonds at the end of the year, and the national estimate of the accrued interest realized from bonds redeemed during the year is allocated to the states in proportion to the value of the unredeemed bonds at the end of the preceding year.⁸ Second, the state estimate of the realized interest is subtracted from the state estimate of the total accrued interest to yield the state estimate of the net accrued interest.

Other interest income received by individuals.—This interest consists largely of interest that is reportable for Federal individual income tax (including the nontaxable interest from municipal bonds); it also includes the interest accrued on individual retirement accounts and other tax-deferred savings accounts in the year in which the interest is earned. (The IMF interest data do not include this interest, because it is reported on the tax returns as part of taxable withdrawals, not as interest, in the year in which the funds are withdrawn.)

⁷ The net accrued interest is the excess of the interest accrued on the bonds during the year over the accrued interest that was realized from the bonds redeemed during the year. The interest accrued on unredeemed bonds is treated as if it were received by individuals as it accrues because it is available to the individuals.

⁸ The state data series for the value of the unredeemed bonds are tabulated by the Bond Division of the Department of the Treasury.

The state estimates are based on the IMF data for interest that are supplemented by a series prepared from the IMF data for dividends.⁹ The supplementation is necessary because the reportable interest received by individuals from regulated investment companies, such as money market mutual funds, is reported as dividend income on IRS form 1040.

The state estimates are prepared in four steps. First, the national ratio of the estimate of the reportable interest received by individuals from regulated investment companies to the sum of this interest and the estimate of the dividends (excluding such interest) received by individuals is calculated.¹⁰ Second, this ratio is multiplied by the IMF dividends for each state to yield a first approximation of the interest from regulated investment companies that is reported as dividends. Third, the first approximations are added to the IMF state tabulations of interest to yield provisional state estimates of interest. Fourth, the national estimate of the interest is allocated to the states in proportion to the provisional estimates.

Interest income received by private and government employee retirement funds.—This income comprises the interest received by private pension funds, by the Federal civilian employee retirement funds (including the TSP), by the military retirement fund, and by state and local government employee retirement funds. For each fund, a portion of the interest is assumed received on behalf of current employees, and a portion on behalf of retired persons and their survivors.¹¹

For the interest received by the private pension funds, the state estimates of the currently employed portion are based on state-of-residence estimates of employer contributions to these funds.¹² The state estimates of the retired portion are allocated in proportion to the geographic distribution of OASDI payments.

For the interest received by the Federal civilian funds, the state estimates of the currently employed portion are based on residence-adjusted state estimates of Federal civilian wages and salaries, and state estimates of the retired portion, on state estimates of Federal civilian retirement benefits by state.¹³

For the interest received by the military retirement fund, the state estimates of the currently employed portion are based on residence-adjusted state estimates of the pay of active-duty military personnel, and the retired portion, on state estimates of military retirement benefits by state.¹⁴

For the interest received by the state and local government employee retirement funds, the state estimates of both the currently employed and the retired portions are based on state-level data for the interest received by the plans from the Census Bureau's

⁹ See footnote 2.

¹⁰ The national estimate of the reportable interest that is received by individuals from regulated investment companies is prepared as part of the reconciliation of personal income and adjusted gross income. See Mark A. Ledbetter, "Comparison of BEA Estimates of Personal Income and IRS Estimates of Adjusted Gross Income," *Survey of Current Business* 84 (April 2004): 8-22.

¹¹ See footnote 3. The division of the interest received by the military retirement fund into the currently employed and retired portions is based on information obtained from the Department of Defense.

¹² See footnote 4.

¹³ See footnote 5.

¹⁴ National estimates of military retirement benefits, including Coast Guard personnel, and their survivors are allocated to states in proportion to payments data for September that are provided each year by the Department of Defense.

annual *Finances of Employee-retirement Systems of State and Local Governments*.¹⁵ These data are available beginning with 1994. The currently employed portion is extrapolated to earlier years by the relative change in state and local government wages and salaries. The retired portion is extrapolated by the relative change in benefits paid by the plans.¹⁶ Both portions are then adjusted to a place-of-residence basis to yield the allocating series for the interest received by the funds.

Interest income received by nonprofit institutions.—Because state data are unavailable, the national estimate is allocated to the states in proportion to the annual state estimates of the civilian population.

Interest income retained by fiduciaries.—The available data for this interest do not reflect the location of the individuals on whose behalf the interest is received. Therefore, the national estimate of the interest retained by fiduciaries is allocated to states in proportion to IMF interest, which includes the interest *distributed* by fiduciaries to individuals.

Imputed interest income

Imputed interest received by persons consists of the investment income that is received by life insurance carriers, imputed interest received by persons from banks, credit agencies, and regulated investment companies, and premium supplements received by persons from property and casualty insurance companies.¹⁷ The imputed interest received from banks, credit agencies and regulated investment companies represents the value of financial services for which persons are not explicitly charged. Premium supplements is the imputed value of intermediation services insurance companies provide to policyholders. An aggregate national estimate of imputed interest is allocated to states in proportion to interest reported by individuals to the IRS, as tabulated from the IMF.

Rental Income of Persons

The rental income of persons with capital consumption adjustment is the net current-production income of persons from the rental of real property except for the income of persons primarily engaged in the real estate business; the imputed net rental income received by owner-occupants of dwellings; and the royalties received by persons from patents, copyrights, and rights to natural resources.¹⁸ The estimates include BEA adjustments for uninsured losses to real estate caused by disasters, such as hurricanes and floods.

The national estimate of the rental income of persons accounted for 1.68 percent of total personal income in 2003 (table E). Monetary rental income accounted for 0.67 percent of total personal income, and imputed rental income accounted for 1.01 percent.

¹⁵ The interest received by the funds is derived as a residual from the published data: Total investment income less dividends and capital gains.

¹⁶ See footnote 6.

¹⁷ For additional information, see "Imputation" in the "Technical Notes."

¹⁸ The net rental income received by persons who are primarily engaged in the real estate business is included in nonfarm proprietors' income.

Monetary rental income

The state estimates of monetary rental income are prepared in the following parts: The net rent and royalties received by individuals, the net rent and royalties received by private pension funds, the net rent and royalties received by nonprofit institutions, and the net rent and royalties retained by fiduciaries.

Net rent and royalties received by individuals.—Because the available state data are unreliable, the national estimate excluding the disaster adjustments is allocated to states in proportion to the tabulations of data for gross rent and royalties from the IMF.¹⁹ The national disaster adjustments are assigned to states on the basis of data from the Federal Emergency Management Agency.

Net rent and royalties received by private pension plans.—A portion of such rent and royalties is assumed to be received on behalf of current employees, and a portion on behalf of retired persons and their survivors.²⁰ The state estimates of the currently employed portion are based on state-of-residence estimates of employer contributions to these plans.²¹ The state estimates of the retired portion reflect the geographic distribution of the state estimates of OASDI payments.

Net rent and royalties received by nonprofit institutions.—Because state data are unavailable, the national estimate is allocated to the states in proportion to the annual state estimates of the civilian population.

Net rent and royalties retained by fiduciaries.—The state estimates are based on state-level tabulations of “total estate and trust income or (loss)” from Schedule E of IRS form 1040. This item consists mainly of rental income received by individuals from fiduciaries. It is assumed that the geographic distribution of this income is similar to the distribution of net rent and royalties retained by fiduciaries. This geographic distribution of the IRS data is used to allocate the national estimate of net rent and royalties to states.

Imputed rental income

The state estimates of imputed net rental income are prepared in two parts: Imputed net rent received by the owner-occupants of mobile homes and imputed net rent received by the owner-occupants of all other dwellings.

Imputed net rent from mobile homes.—The national estimates of imputed net rent from mobile homes for 2000 and later years were allocated to states in proportion to the number of mobile homes from the 2000 Census of Housing.

Imputed net rent from all other dwellings.—National estimates for census years were allocated to states using estimates of the gross rental value of owner-occupied, single-family dwellings derived from Census of Housing data. Intercensal estimates of gross rental values are straight-line interpolations of the census benchmarks.

State estimates for the years after 2000 were prepared in three steps. First, the census gross rental value benchmarks were summed to the four Census regions and extrapolated using median house value data from the biennial American Housing Survey.²² Second, the regional controls were allocated to states using nonfarm personal

¹⁹ The available estimates from the Internal Revenue Service for net rent are unreliable as a basis for the estimation of monetary rent because of large sampling errors in the estimates for the less populous states.

²⁰ See footnote 3.

²¹ See footnote 4.

²² The Census Bureau's biennial American Housing Survey is available most recently for 2003.

income to obtain provisional estimates. Third, the national estimates were allocated to states in proportion to the provisional estimates.

Table E.--Relative Importance to Personal Income of Personal Dividend
Income, Personal Interest Income, and Rental Income of Persons,
by Component, United States, 2003

	Millions of dollars	Percent of personal income
Personal income..	9,148,680	100.00
Personal dividend income, personal interest income, and rental income of persons..	1,475,401	16.13
Personal dividend income..	392,789	4.29
Personal interest income..	928,764	10.15
Monetary..	557,451	6.09
Imputed..	371,313	4.06
Rental income of persons/1/..	153,848	1.68
Monetary..	61,232	0.67
Imputed..	92,616	1.01

Footnotes

1. Shown with the capital consumption adjustments.

NOTE.-- Detail may not add to totals due to rounding.